

105TH CONGRESS
2D SESSION

S. 1747

To amend the Internal Revenue Code of 1986 to provide for additional taxpayer rights and taxpayer education, notice, and resources, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 11, 1998

Mr. GRASSLEY (for himself, Mr. REID, and Mr. KERREY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for additional taxpayer rights and taxpayer education, notice, and resources, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Taxpayer Bill of Rights 3”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

4 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.
 Sec. 2. Findings.

TITLE I—TAXPAYER RIGHTS

Sec. 101. Disclosure of criteria for examination selection.
 Sec. 102. Civil damages for negligence in collection actions.
 Sec. 103. Freedom of information.
 Sec. 104. Elimination of application of failure to pay penalty during period of
 installment agreement.
 Sec. 105. Safe harbor for qualification for installment agreements.
 Sec. 106. Cataloging complaints.
 Sec. 107. Suspension of statute of limitations on filing refund claims during pe-
 riods of disability.
 Sec. 108. Limitation on financial status audit techniques.
 Sec. 109. Notice of deficiency to specify deadlines for filing tax court petition.
 Sec. 110. Refund or credit of overpayments before final determination.
 Sec. 111. Threat of audit prohibited to coerce tip reporting alternative commit-
 ment agreements.
 Sec. 112. Court approval for seizure of taxpayer's property.
 Sec. 113. Expansion of authority to issue taxpayer assistance orders.
 Sec. 114. Modifications to certain levy exemption amounts.
 Sec. 115. Offers-in-compromise.
 Sec. 116. Increase in overpayment rate payable to taxpayers other than cor-
 porations.
 Sec. 117. Levy prohibited during certain negotiations.
 Sec. 118. Application of certain fair debt collection procedures.
 Sec. 119. Allowance of civil damage suits by persons other than taxpayers for
 IRS unauthorized collection actions.
 Sec. 120. Cooperative agreements with State tax authorities.

TITLE II—TAXPAYER EDUCATION, NOTICE, AND RESOURCES

Sec. 201. Explanation of taxpayers' rights.
 Sec. 202. Toll-free customer help line.
 Sec. 203. Notice of various telephone numbers.
 Sec. 204. Procedures involving taxpayer interviews.
 Sec. 205. Explanation of joint and several liability.
 Sec. 206. Procedures relating to extensions of statute of limitations by agree-
 ment.
 Sec. 207. Explanations of appeals and collection process.
 Sec. 208. Independent operation of local taxpayer advocates.

5 **SEC. 2. FINDINGS.**

6 The Senate finds that—

1 (1) the National Commission on Restructuring
2 the Internal Revenue Service has found the urgent
3 need for significant Internal Revenue Service reform;

4 (2) the ongoing hearings of the Committee on
5 Finance of the Senate have uncovered consistent
6 abuse of taxpayers by the Internal Revenue Service;

7 (3) the Internal Revenue Service should be re-
8 sponsible and held accountable for its treatment of
9 taxpayers;

10 (4) the American public expects and deserves
11 timely and accurate service from the Internal Reve-
12 nue Service; and

13 (5) additional taxpayer protections are nec-
14 essary to ensure that taxpayers receive fair, impar-
15 tial, and courteous assistance from the Internal Rev-
16 enue Service.

17 **TITLE I—TAXPAYER RIGHTS**

18 **SEC. 101. DISCLOSURE OF CRITERIA FOR EXAMINATION SE-** 19 **LECTION.**

20 (a) IN GENERAL.—The Secretary of the Treasury or
21 the Secretary’s delegate shall, as soon as practicable, but
22 not later than 180 days after the date of the enactment
23 of this Act, incorporate into the statement required by sec-
24 tion 6227 of the Omnibus Taxpayer Bill of Rights (Inter-
25 nal Revenue Service Publication No. 1) a statement which

1 sets forth in simple and nontechnical terms the criteria
 2 and procedures for selecting taxpayers for examination.
 3 Such statement shall not include any information the dis-
 4 closure of which would be detrimental to law enforcement,
 5 but shall specify the general procedures used by the Inter-
 6 nal Revenue Service, including the extent to which tax-
 7 payers are selected for examination on the basis of infor-
 8 mation available in the media or on the basis of informa-
 9 tion provided to the Internal Revenue Service by inform-
 10 ants.

11 (b) TRANSMISSION TO COMMITTEES OF CON-
 12 GRESS.—Such Secretary shall transmit drafts of the state-
 13 ment required under subsection (a) (or proposed revisions
 14 to any such statement) to the Committee on Ways and
 15 Means of the House of Representatives, the Committee on
 16 Finance of the Senate, and the Joint Committee on Tax-
 17 ation on the same day.

18 **SEC. 102. CIVIL DAMAGES FOR NEGLIGENCE IN COLLEC-**
 19 **TION ACTIONS.**

20 (a) IN GENERAL.—Section 7433 (relating to civil
 21 damages for certain unauthorized collection actions) is
 22 amended—

23 (1) in subsection (a), by inserting “, or by rea-
 24 son of negligence,” after “recklessly or inten-
 25 tionally”, and

1 (2) in subsection (b)—

2 (A) in the matter preceding paragraph (1),
3 by inserting “(\$100,000, in the case of neg-
4 ligence)” after “\$1,000,000”, and

5 (B) in paragraph (1), by inserting “or neg-
6 ligent” after “reckless or intentional”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to actions of officers or employees
9 of the Internal Revenue Service after the date of the en-
10 actment of this Act.

11 **SEC. 103. FREEDOM OF INFORMATION.**

12 (a) IN GENERAL.—The Secretary of the Treasury or
13 the Secretary’s delegate shall, as soon as practicable, but
14 not later than 180 days after the date of the enactment
15 of this Act, develop procedures under which expedited ac-
16 cess will be granted to requests under section 551 of title
17 5, United States Code, when—

18 (1) there exists widespread and exceptional
19 media interest in the requested information, and

20 (2) expedited processing is warranted because
21 the information sought involves possible questions
22 about the government’s integrity which affect public
23 confidence.

24 In addition, such procedures shall require the Internal
25 Revenue Service to provide an explanation to the person

1 making the request if the request is not satisfied within
 2 30 days, including a summary of actions taken to date
 3 and the expected completion date. Finally, to the extent
 4 that any such request is not satisfied in full within 60
 5 days, such person may seek a determination of whether
 6 such request should be granted by the appropriate Federal
 7 district court.

8 (b) TRANSMISSION TO COMMITTEES OF CON-
 9 GRESS.—Such Secretary shall transmit drafts of the pro-
 10 cedures required under subsection (a) (or proposed revi-
 11 sions to any such procedures) to the Committee on Ways
 12 and Means of the House of Representatives, the Commit-
 13 tee on Finance of the Senate, and the Joint Committee
 14 on Taxation on the same day.

15 **SEC. 104. ELIMINATION OF APPLICATION OF FAILURE TO**
 16 **PAY PENALTY DURING PERIOD OF INSTALL-**
 17 **MENT AGREEMENT.**

18 (a) IN GENERAL.—Subsection (c) of section 6651
 19 (relating to the penalty for failure to file tax return or
 20 to pay tax) is amended by adding at the end the following:

21 “(3) TOLLING DURING PERIOD OF INSTALL-
 22 MENT AGREEMENT.—If the amount required to be
 23 paid is the subject of an agreement for payment of
 24 tax liability in installments made pursuant to section
 25 6159, the additions imposed under subsection (a)

1 shall not apply so long as such agreement remains
2 in effect.”

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to agreements entered into after
5 the date of the enactment of this Act.

6 **SEC. 105. SAFE HARBOR FOR QUALIFICATION FOR IN-**
7 **STALLMENT AGREEMENTS.**

8 (a) **IN GENERAL.**—Subsection (a) of section 6159
9 (relating to agreements for payment of tax liability in in-
10 stallments) is amended—

11 (1) by striking “The Secretary is” and inserting
12 the following:

13 “(1) **IN GENERAL.**—The Secretary is”,

14 (2) by moving the text 2 ems to the right, and

15 (3) by adding at the end the following:

16 “(2) **SAFE HARBOR.**—The Secretary shall enter
17 into an agreement to accept the payment of a tax li-
18 ability in installments if—

19 “(A) the amount of such liability does not
20 exceed \$10,000,

21 “(B) the taxpayer has not failed to file any
22 tax return or pay any tax required to be shown
23 thereon during the immediately preceding 5
24 years, and

1 “(C) the taxpayer has not entered into any
2 prior installment agreement under this para-
3 graph.”

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to agreements entered into after
6 the date of the enactment of this Act.

7 **SEC. 106. CATALOGING COMPLAINTS.**

8 (a) IN GENERAL.—The Commissioner of Internal
9 Revenue shall, as soon as practicable, but not later than
10 180 days after the date of the enactment of this Act, de-
11 velop procedures to catalog and review taxpayer com-
12 plaints of misconduct by Internal Revenue Service employ-
13 ees. Such procedures should include guidelines for internal
14 review and discipline of employees, as warranted by the
15 scope of such complaints.

16 (b) HOTLINE.— The Commissioner of Internal Reve-
17 nue shall, as soon as practicable, but not later than 180
18 days after the date of the enactment of this Act, establish
19 a toll-free telephone number for taxpayers to register com-
20 plaints of misconduct by Internal Revenue Service employ-
21 ees, and shall publish such number in Publication 1.

1 **SEC. 107. SUSPENSION OF STATUTE OF LIMITATIONS ON**
 2 **FILING REFUND CLAIMS DURING PERIODS**
 3 **OF DISABILITY.**

4 (a) IN GENERAL.—Section 6511 (relating to limita-
 5 tions on credit or refund) is amended by redesignating
 6 subsection (h) as subsection (i) and by inserting after sub-
 7 section (g) the following:

8 “(h) RUNNING OF PERIODS OF LIMITATION SUS-
 9 PENDED WHILE TAXPAYER IS UNABLE TO MANAGE FI-
 10 NANCIAL AFFAIRS DUE TO DISABILITY.—

11 “(1) IN GENERAL.—In the case of an individ-
 12 ual, the running of the periods specified in sub-
 13 sections (a), (b), and (c) shall be suspended during
 14 any period of such individual’s life that such individ-
 15 ual is financially disabled.

16 “(2) FINANCIALLY DISABLED.—

17 “(A) IN GENERAL.—For purposes of para-
 18 graph (1), an individual is financially disabled
 19 if such individual is unable to manage his fi-
 20 nancial affairs by reason of his medically deter-
 21 minable physical or mental impairment which
 22 can be expected to result in death or which has
 23 lasted or can be expected to last for a continu-
 24 ous period of not less than 12 months. An indi-
 25 vidual shall not be considered to have such an
 26 impairment unless proof of the existence thereof

1 is furnished in such form and manner as the
 2 Secretary may require.

3 “(B) EXCEPTION WHERE INDIVIDUAL HAS
 4 GUARDIAN, ETC.—An individual shall not be
 5 treated as financially disabled during any pe-
 6 riod that such individual’s spouse or any other
 7 person is authorized to act on behalf of such in-
 8 dividual in financial matters.”

9 (b) EFFECTIVE DATE.—The amendment made by
 10 subsection (a) shall apply to periods of disability before,
 11 on, or after the date of the enactment of this Act but shall
 12 not apply to any claim for credit or refund which (without
 13 regard to such amendment) is barred by the operation of
 14 any law or rule of law (including res judicata) as of Janu-
 15 ary 1, 1998.

16 **SEC. 108. LIMITATION ON FINANCIAL STATUS AUDIT TECH-**
 17 **NIQUES.**

18 Section 7602 is amended by adding at the end the
 19 following:

20 “(e) LIMITATION ON EXAMINATION ON UNREPORTED
 21 INCOME.—The Secretary shall not use financial status or
 22 economic reality examination techniques to determine the
 23 existence of unreported income of any taxpayer unless the
 24 Secretary has a reasonable indication that there is a likeli-
 25 hood of such unreported income.”

1 **SEC. 109. NOTICE OF DEFICIENCY TO SPECIFY DEADLINES**
2 **FOR FILING TAX COURT PETITION.**

3 (a) IN GENERAL.—The Secretary of the Treasury or
4 the Secretary’s delegate shall include on each notice of de-
5 ficiency under section 6212 of the Internal Revenue Code
6 of 1986 the date determined by such Secretary (or dele-
7 gate) as the last day on which the taxpayer may file a
8 petition with the Tax Court.

9 (b) LATER FILING DEADLINES SPECIFIED ON NO-
10 TICE OF DEFICIENCY TO BE BINDING.—Subsection (a)
11 of section 6213 (relating to restrictions applicable to defi-
12 ciencies; petition to Tax Court) is amended by adding at
13 the end the following: “Any petition filed with the Tax
14 Court on or before the last date specified for filing such
15 petition by the Secretary in the notice of deficiency shall
16 be treated as timely filed.”

17 (c) EFFECTIVE DATE.—Subsection (a) and the
18 amendment made by subsection (b) shall apply to notices
19 mailed after December 31, 1998.

20 **SEC. 110. REFUND OR CREDIT OF OVERPAYMENTS BEFORE**
21 **FINAL DETERMINATION.**

22 (a) TAX COURT PROCEEDINGS.—Subsection (a) of
23 section 6213 is amended—

24 (1) by striking “, including the Tax Court.”
25 and inserting “, including the Tax Court, and a re-
26 fund may be ordered by such court of any amount

1 collected within the period during which the Sec-
 2 retary is prohibited from collecting by levy or
 3 through a proceeding in court under the provisions
 4 of this subsection.”, and

5 (2) by striking “to enjoin any action or pro-
 6 ceeding” and inserting “to enjoin any action or pro-
 7 ceeding or order any refund”.

8 (b) OTHER PROCEEDINGS.—Subsection (a) of section
 9 6512 is amended by striking the period at the end of para-
 10 graph (4) and inserting “, and”, and by inserting after
 11 paragraph (4) the following:

12 “(5) As to any amount collected within the pe-
 13 riod during which the Secretary is prohibited from
 14 making the assessment or from collecting by levy or
 15 through a proceeding in court under the provisions
 16 of section 6213(a), and

17 “(6) As to overpayments the Secretary is au-
 18 thorized to refund or credit pending appeal as pro-
 19 vided in subsection (b).”

20 (c) REFUND OR CREDIT PENDING APPEAL.—Para-
 21 graph (1) of section 6512(b) is amended by adding at the
 22 end the following: “If a notice of appeal in respect of the
 23 decision of the Tax Court is filed under section 7483, the
 24 Secretary is authorized to refund or credit the overpay-

1 ment determined by the Tax Court to the extent the over-
 2 payment is not contested on appeal.”

3 (d) EFFECTIVE DATE.—The amendments made by
 4 this section shall take effect on the date of the enactment
 5 of this Act.

6 **SEC. 111. THREAT OF AUDIT PROHIBITED TO COERCE TIP**
 7 **REPORTING ALTERNATIVE COMMITMENT**
 8 **AGREEMENTS.**

9 The Secretary of the Treasury or the Secretary’s del-
 10 egate shall instruct employees of the Internal Revenue
 11 Service that they may not threaten to audit any taxpayer
 12 in an attempt to coerce the taxpayer into entering into
 13 a Tip Reporting Alternative Commitment Agreement.

14 **SEC. 112. COURT APPROVAL FOR SEIZURE OF TAXPAYER’S**
 15 **PROPERTY.**

16 (a) IN GENERAL.—Section 6331(a) (relating to levy
 17 and distraint) is amended by adding at the end the follow-
 18 ing:

19 “(2) LIMITATION ON AUTHORITY OF SEC-
 20 RETARY.—Notwithstanding paragraph (1), the Sec-
 21 retary shall not levy upon any property or rights to
 22 property until a court of competent jurisdiction—

23 “(A) has determined that—

24 “(i) such levy is reasonable under the
 25 circumstances, and

1 “(ii) in the case of a levy upon the
 2 principal residence or business establish-
 3 ment of the taxpayer, the Secretary has ex-
 4 hausted all other payment options, and
 5 “(B) issues a writ of execution.”

6 (b) CONFORMING AMENDMENT.—Section 6331(a) is
 7 amended by striking “If any person” and inserting:

8 “(1) IN GENERAL.—If any person”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall be effective for seizures occurring on or
 11 after the date of the enactment of this Act.

12 **SEC. 113. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**
 13 **ASSISTANCE ORDERS.**

14 (a) IN GENERAL.—Section 7811(a) (relating to tax-
 15 payer assistance orders) is amended—

16 (1) by striking “Upon application” and insert-
 17 ing the following:

18 “(1) IN GENERAL.—Upon application”,

19 (2) by moving the text 2 ems to the right, and

20 (3) by adding at the end the following:

21 “(2) DETERMINATION OF HARDSHIP.—For pur-
 22 poses of determining whether a taxpayer is suffering
 23 or about to suffer a significant hardship, the Tax-
 24 payer Advocate should consider—

1 “(A) whether the Internal Revenue Service
 2 employee to which such order would issue is fol-
 3 lowing applicable published administrative guid-
 4 ance, including the Internal Revenue Manual,

5 “(B) whether there is an immediate threat
 6 of adverse action,

7 “(C) whether there has been a delay of
 8 more than 30 days in resolving taxpayer ac-
 9 count problems,

10 “(D) the prospect that the taxpayer will
 11 have to pay significant professional fees for rep-
 12 resentation,

13 “(E) whether the taxpayer will suffer ir-
 14 reparable injury, or a long-term adverse impact,
 15 if relief is not granted, and

16 “(F) any other factor the Taxpayer Advoca-
 17 cate deems appropriate.”

18 (b) EFFECTIVE DATE.—The amendments made by
 19 this section shall take effect on the date of the enactment
 20 of this Act.

21 **SEC. 114. MODIFICATIONS TO CERTAIN LEVY EXEMPTION**
 22 **AMOUNTS.**

23 (a) FUEL, ETC.—Section 6334(a)(2) (relating to
 24 fuel, provisions, furniture, and personal effects) is amend-
 25 ed by striking “\$2,500” and inserting “\$5,000”.

1 (b) BOOKS, ETC.—Section 6334(a)(3) (relating to
 2 books and tools of a trade, business, or profession) is
 3 amended by striking “\$1,250” and inserting “\$10,000”.

4 (c) CONFORMING AMENDMENT.—Section 6334(f)(1)
 5 (relating to inflation adjustment) is amended—

6 (1) by striking “1997” and inserting “1999”,
 7 and

8 (2) by striking “1996” in subparagraph (B)
 9 and inserting “1998”.

10 (d) EFFECTIVE DATE.—The amendments made by
 11 this section shall take effect with respect to levies issued
 12 after December 31, 1998.

13 **SEC. 115. OFFERS-IN-COMPROMISE.**

14 (a) IN GENERAL.—Section 7122 (relating to offers-
 15 in-compromise) is amended by adding at the end the fol-
 16 lowing:

17 “(c) ALLOWANCES.—The Secretary shall develop and
 18 publish guidelines for national and local allowances to en-
 19 sure that taxpayers entering into a compromise have an
 20 adequate means to provide for basic living expenses.”

21 (b) EFFECTIVE DATE.—The amendment made by
 22 this section shall take effect on the date of the enactment
 23 of this Act.

1 **SEC. 116. INCREASE IN OVERPAYMENT RATE PAYABLE TO**
 2 **TAXPAYERS OTHER THAN CORPORATIONS.**

3 (a) IN GENERAL.—Subparagraph (B) of section
 4 6621(a)(1) (defining overpayment rate) is amended to
 5 read as follows:

6 “(B) 3 percentage points (2 percentage
 7 points in the case of a corporation).”

8 (b) EFFECTIVE DATE.—The amendment made by
 9 this section shall apply to interest for calendar quarters
 10 beginning after the date of the enactment of this Act.

11 **SEC. 117. LEVY PROHIBITED DURING CERTAIN NEGOTIA-**
 12 **TIONS.**

13 (a) IN GENERAL.—Section 6331 (relating to levy and
 14 distraint) is amended by redesignating subsection (i) as
 15 subsection (j) and by inserting after subsection (h) the fol-
 16 lowing:

17 “(j) NO LEVY DURING CERTAIN NEGOTIATIONS.—

18 “(1) IN GENERAL.—No levy may be made
 19 under subsection (a) on the salary or wages or other
 20 property of any person with respect to any unpaid
 21 tax in a case, and during the period, to which para-
 22 graph (2) or (3) applies.

23 “(2) OFFERS IN COMPROMISE; INSTALLMENT
 24 AGREEMENTS.—This paragraph applies to any un-
 25 paid tax of such person—

1 “(A) during the period that an offer by
2 such person in compromise under section 7122,
3 or for an installment agreement under section
4 6159, of such unpaid tax is pending with the
5 Secretary, and

6 “(B) if such offer is rejected by the Sec-
7 retary, during the 30 days thereafter (and, if
8 an appeal of such rejection is filed within such
9 30 days, during the period that such appeal is
10 pending).

11 “(3) CERTAIN ASSESSMENTS OF INDIVIDUAL
12 INCOME TAX.—This paragraph applies to any un-
13 paid tax of an individual which is imposed by sub-
14 title A during the 60-day period beginning on the
15 date such individual requests that this paragraph
16 apply to such tax if—

17 “(A) such tax was included in a notice of
18 deficiency under section 6212 mailed to the last
19 known address of such individual, and

20 “(B) the assessment of such tax was not
21 prevented at any prior time by reason of any
22 action taken by such individual.

23 “(4) EXCEPTION.—Paragraph (1) shall not
24 apply if the Secretary finds that—

1 “(A) the collection of the tax is in jeop-
2 ardy, or

3 “(B) the offer or request is made solely to
4 delay collection.

5 “(5) SUSPENSION OF STATUTE OF LIMITATIONS
6 ON COLLECTION.—Subsection (i)(4) shall apply for
7 purposes of this subsection.”

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxes assessed on or after the
10 60th day after the date of the enactment of this Act.

11 **SEC. 118. APPLICATION OF CERTAIN FAIR DEBT COLLEC-**
12 **TION PROCEDURES.**

13 (a) IN GENERAL.—Subchapter A of chapter 64 (re-
14 lating to collection) is amended by inserting after section
15 6303 the following:

16 **“SEC. 6304. FAIR TAX COLLECTION PRACTICES.**

17 “(a) COMMUNICATION WITH THE TAXPAYER.—With-
18 out the prior consent of the taxpayer given directly to the
19 Secretary or the express permission of a court of com-
20 petent jurisdiction, the Secretary may not communicate
21 with a taxpayer in connection with the collection of any
22 unpaid tax—

23 “(1) at any unusual time or place or a time or
24 place known or which should be known to be incon-
25 venient to the taxpayer;

1 “(2) if the Secretary knows the taxpayer is rep-
2 resented by an attorney with respect to such unpaid
3 tax and has knowledge of, or can readily ascertain,
4 such attorney’s name and address, unless the attor-
5 ney fails to respond within a reasonable period of
6 time to a communication from the Secretary or un-
7 less the attorney consents to direct communication
8 with the taxpayer; or

9 “(3) at the taxpayer’s place of employment if
10 the Secretary knows or has reason to know that the
11 taxpayer’s employer prohibits the taxpayer from re-
12 ceiving such communication.

13 In the absence of knowledge of circumstances to the con-
14 trary, the Secretary shall assume that the convenient time
15 for communicating with a taxpayer is after 8 a.m. and
16 before 9 p.m., local time at the taxpayer’s location.

17 “(b) PROHIBITION OF HARASSMENT AND ABUSE.—
18 The Secretary may not engage in any conduct the natural
19 consequence of which is to harass, oppress, or abuse any
20 person in connection with any unpaid tax. Without limit-
21 ing the general application of the foregoing, the following
22 conduct is a violation of this subsection:

23 “(1) The use or threat of use of violence or
24 other criminal means to harm the physical person,
25 reputation, or property of any person.

1 “(2) The use of obscene or profane language or
2 language the natural consequence of which is to
3 abuse the hearer or reader.

4 “(3) The publication of a list of taxpayers who
5 allegedly refuse to pay taxes, except to a consumer
6 reporting agency or to persons meeting the require-
7 ments of section 603(f) or 604(a)(3) of the Fair
8 Credit Reporting Act.

9 “(4) Causing a telephone to ring or engaging
10 any person in telephone conversation repeatedly or
11 continuously with intent to annoy, abuse, or harass
12 any person at the called number.

13 “(5) Except as provided under rules similar to
14 the rules in section 804 of the Fair Debt Collection
15 Practices Act (15 U.S.C. 1692b), the placement of
16 telephone calls without meaningful disclosure of the
17 caller’s identity.

18 “(c) CIVIL ACTION FOR VIOLATIONS OF SECTION.—

**“For civil action for violations of this section, see
section 7433.”**

19 (b) CLERICAL AMENDMENT.—The table of sections
20 for subchapter A of chapter 64 is amended by inserting
21 after the item relating to section 6303 the following:

“Sec. 6304. Fair tax collection practices.”

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect on the date of the enactment
 3 of this Act.

4 **SEC. 119. ALLOWANCE OF CIVIL DAMAGE SUITS BY PER-**
 5 **SONS OTHER THAN TAXPAYERS FOR IRS UN-**
 6 **AUTHORIZED COLLECTION ACTIONS.**

7 (a) IN GENERAL.—Section 7433(a) (relating to civil
 8 damages for certain unauthorized collection damages) is
 9 amended—

10 (1) by striking “a taxpayer” and inserting “any
 11 person”, and

12 (2) by striking “such taxpayer” and inserting
 13 “such person”.

14 (b) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to actions by officers or employees
 16 of the Internal Revenue Service after the date of the en-
 17 actment of this Act.

18 **SEC. 120. COOPERATIVE AGREEMENTS WITH STATE TAX**
 19 **AUTHORITIES.**

20 (A) IN GENERAL.—Chapter 77 (relating to mis-
 21 cellaneous provisions) is amended by adding after section
 22 7524 the following:

23 **“SEC. 7525. TAX ADMINISTRATION AGREEMENTS.**

24 “(a) IN GENERAL.—To the extent provided in regula-
 25 tions, the Secretary is authorized to enter into tax admin-

1 istration agreements with any State agency, body, or com-
 2 mission described in section 6103(d)(1). Under such
 3 agreements, the Secretary may delegate powers relating
 4 to the administration of this title to officers and employees
 5 of such State agency, body, or commission, only if such
 6 officers and employees in exercising such powers are under
 7 the supervision of the Secretary.

8 “(b) TAX ADMINISTRATION AGREEMENT DE-
 9 FINED.—A tax administration agreement is a written
 10 agreement entered into by the Secretary and a State agen-
 11 cy, body, or commission described in section 6103(d)(1)
 12 that provides for a delegation of tax administration powers
 13 or a payment of reasonable compensation for activities
 14 conducted by either party to the agreement. Each Federal
 15 or State tax administration power to be exercised pursuant
 16 to a tax administration agreement shall be performed in
 17 accordance with the terms of the agreement to the extent
 18 such terms do not conflict with the Federal or State laws
 19 that otherwise authorize the respective tax administration
 20 function.

21 “(c) JUDICIAL PROCEEDINGS.—

22 “(1) REVIEW BY THE UNITED STATES
 23 COURTS.—Nothing in this subchapter shall give any
 24 court of the United States any additional jurisdic-
 25 tion nor diminish its jurisdiction.

1 “(2) PROHIBITION OF REVIEW BY THE STATE
2 COURTS.—No court or other tribunal of any State
3 shall have jurisdiction to adjudicate in any action,
4 legal or equitable, the validity or scope of an assess-
5 ment of an internal revenue tax that is the subject
6 of a tax administration agreement.

7 “(3) LIMITATION ON PERSONAL JURISDIC-
8 TION.—No court or other tribunal of any State shall
9 have jurisdiction over an individual who exercises
10 Federal tax administration powers pursuant to a tax
11 administration agreement for actions relating to the
12 exercise of those powers.

13 “(d) PAYMENT FOR SERVICES.—The Secretary is au-
14 thorized to pay reasonable compensation for activities con-
15 ducted by a State pursuant to a tax administration agree-
16 ment. The Secretary is authorized to collect reasonable
17 compensation for activities conducted by the United States
18 pursuant to a tax administration agreement.

19 “(e) AVAILABILITY OF FUNDS.—Any funds appro-
20 priated for purposes of the administration of this title
21 shall be available for purposes of carrying out the Sec-
22 retary’s responsibilities under a tax administration agree-
23 ment. Any reasonable compensation received pursuant to
24 a tax administration agreement shall be credited to the
25 amounts so appropriated and shall remain available to the

1 Internal Revenue Service until expended to supplement
 2 appropriations made available to the appropriations ac-
 3 counts in the fiscal year during which this provision is en-
 4 acted and all fiscal years thereafter.

5 “(f) TAX TREATIES AND OTHER INTERNATIONAL
 6 AGREEMENTS.—To the extent the provisions of this sub-
 7 chapter or a tax administration agreement may conflict
 8 with the terms of any tax treaty, or other international
 9 agreement of the United States containing provisions re-
 10 lating to taxation or the administration of tax laws, the
 11 terms of the treaty or international agreement shall con-
 12 trol.

13 “(g) EMPLOYEE STATUS.—Any officer or employee
 14 of the United States acting pursuant to a tax administra-
 15 tion agreement shall be deemed to remain a Federal em-
 16 ployee. Except as otherwise expressly provided by the laws
 17 of the United States, any officer or employee of a State
 18 acting pursuant to a tax administration agreement shall
 19 be deemed to remain a State employee.”

20 (b) CONFORMING AMENDMENTS.—

21 (1) Section 6103(d) is amended—

22 (A) by amending paragraph (1) to read as
 23 follows:

24 “(1)(A) IN GENERAL.—Returns and return in-
 25 formation with respect to taxes imposed by chapters

1 1, 2, 6, 11, 12, 21, 23, 24, 31, 32, 44, 51, and 52
 2 and subchapter D of chapter 36 shall be open to in-
 3 spection by, or disclosure to, any State agency, body,
 4 or commission, or its legal representative, which is
 5 charged under the laws of such State with the re-
 6 sponsibility for the administration of State tax laws
 7 for the purpose of, and only to the extent necessary
 8 in—

9 “(i) the administration of such laws, in-
 10 cluding any procedures with respect to locating,
 11 any person who may be entitled to a refund; or

12 “(ii) the administration of Federal tax
 13 laws pursuant to a tax administration agree-
 14 ment entered into between such agency, body or
 15 commission and the Secretary under section
 16 7525.

17 “(B) WRITTEN REQUEST BY AGENCY HEAD RE-
 18 QUIRED FOR DISCLOSURE.—The inspection of re-
 19 turns and return information under this paragraph
 20 shall be permitted, or disclosure of such returns and
 21 return information made, only upon written request
 22 by the head of such agency, body, or commission,
 23 and only to the representatives of such agency, body,
 24 or commission designated in such written request as
 25 the individuals who are to inspect or receive the re-

turns or return information on behalf of such agency, body, or commission.

“(C) PERMISSIBLE RECIPIENTS.—The representatives of such agency, body, or commission to whom disclosure is permitted under this paragraph shall include only employees or legal representatives of such agency, body, or commission, or a person described in subsection (n) of this section. However, notwithstanding the foregoing, disclosure shall not be permitted to any individual who is the chief executive officer of such State.

“(D) CONFIDENTIAL INFORMANTS; IMPAIRMENT OF INVESTIGATIONS.—Return information shall not be disclosed under this paragraph to the extent that the Secretary determines that such disclosure would identify a confidential informant or seriously impair any civil or criminal tax investigation.”; and

(B) by adding at the end the following:

“(5) JOINT RETURN FILING PROGRAMS.—

“(A) IN GENERAL.—Upon written request by the head of any agency, body, or commission described in paragraph (1), the Secretary may disclose common data to such agency, body or commission for the purpose of carrying out a

1 joint return filing program entered into under
2 section 7525.

3 “(B) COMMON DATA DEFINED.—For pur-
4 poses of this paragraph, ‘common data’ means
5 any item of information that is required by both
6 Federal and State law to be attached to or in-
7 cluded on the respective Federal and State re-
8 turns.

9 “(C) PROCEDURES FOR STATE AGEN-
10 CIES.—Subsections (a)(2) and (p)(4) of this
11 section shall not apply with respect to any dis-
12 closures made pursuant to this paragraph.
13 However, common data disclosed pursuant to
14 this paragraph is subject to subsection (p)(8) of
15 this section.”

16 (2) Section 6103(p)(3) is amended—

17 (A) in subparagraph (A) by inserting
18 “(d),” after “subsections (c),”; and

19 (B) in subparagraph (C)(i) by striking
20 “(d),”.

21 (3) Section 7212(a) is amended by inserting
22 “or any State officer or employee who is authorized
23 to administer Federal tax laws pursuant to an
24 agreement authorized by section 7525” after “any

1 officer or employee of the United States” in both
2 places it appears.

3 (4) Section 7213(a)(2) is amended by deleting
4 “(d),” and inserting instead “(d)(1), (2), (3), or
5 (4),”.

6 (5) Section 7214 is amended—

7 (A) in subsection (a), by inserting “or any
8 State officer or employee who is authorized to
9 administer Federal tax laws pursuant to an
10 agreement authorized by section 7525” after
11 “Any officer or employee of the United States”;
12 and

13 (B) in subsection (b), by inserting “or any
14 State employee who is authorized to administer
15 Federal tax laws pursuant to an agreement au-
16 thorized by section 7525” after “Any internal
17 revenue officer or employee”.

18 (6) Section 7431(a)(1) is amended by inserting
19 “or any State employee who is authorized to admin-
20 ister Federal tax laws pursuant to an agreement au-
21 thorized by section 7525” after “If any officer or
22 employee of the United States”.

23 (7) Section 7432(a) is amended by inserting
24 “or any State employee who is authorized to release
25 liens under section 6325 pursuant to an agreement

1 authorized by section 7525” after “If any officer or
2 employee of the Internal Revenue Service”.

3 (8) Section 7433(a), as amended by this Act, is
4 amended by inserting “or any State employee who is
5 authorized to collect Federal taxes pursuant to an
6 agreement authorized by section 7525” after “If, in
7 connection with any collection of Federal tax with
8 respect to any person, any officer or employee of the
9 Internal Revenue Service”.

10 (c) CLERICAL AMENDMENT.—The table of sections
11 for chapter 77 is amended by adding at the end the follow-
12 ing:

“Sec. 7525. Tax administration agreements.”

13 **TITLE II—TAXPAYER EDU-**
14 **CATION, NOTICE, AND RE-**
15 **SOURCES**

16 **SEC. 201. EXPLANATION OF TAXPAYERS’ RIGHTS.**

17 The Secretary of the Treasury or the Secretary’s del-
18 egate shall, as soon as practicable, but not later than 180
19 days after the date of the enactment of this Act, revise
20 the statement required by section 6227 of the Omnibus
21 Taxpayer Bill of Rights (Internal Revenue Service Publi-
22 cation No. 1) to more clearly inform taxpayers of their
23 rights.

1 **SEC. 202. TOLL-FREE CUSTOMER HELP LINE.**

2 The Secretary of the Treasury or the Secretary's del-
3 egate shall, as soon as practicable, but not later than 180
4 days after the date of the enactment of this Act, establish
5 a 24-hour-a-day toll-free telephone customer help line,
6 staffed at all times by a person trained in helping individ-
7 ual taxpayers and staffed during regular business hours
8 (for all time zones in the United States) by a person
9 trained in helping small business taxpayers.

10 **SEC. 203. NOTICE OF VARIOUS TELEPHONE NUMBERS.**

11 The Secretary of the Treasury or the Secretary's del-
12 egate shall, as soon as practicable, but not later than 180
13 days after the date of the enactment of this Act, provide
14 that all paper communications received by a taxpayer from
15 the Internal Revenue Service shall include in a prominent
16 manner the telephone number and purpose of the nearest
17 local office of the taxpayer advocate and the low income
18 taxpayer clinic and the toll-free telephone number for tax-
19 payers to register complaints of misconduct by Internal
20 Revenue Service employees established under section
21 107(b).

22 **SEC. 204. PROCEDURES INVOLVING TAXPAYER INTER-**
23 **VIEWS.**

24 (a) IN GENERAL.—Paragraph (1) of section 7521(b)
25 (relating to procedures involving taxpayer interviews) is
26 amended to read as follows:

1 “(1) EXPLANATIONS OF PROCESSES.—An offi-
2 cer or employee of the Internal Revenue Service
3 shall—

4 “(A) before or at an initial interview, pro-
5 vide to the taxpayer—

6 “(i) in the case of an in-person inter-
7 view with the taxpayer relating to the de-
8 termination of any tax, an explanation of
9 the audit process and the taxpayer’s rights
10 under such process, or

11 “(ii) in the case of an in-person inter-
12 view with the taxpayer relating to the col-
13 lection of any tax, an explanation of the
14 collection process and the taxpayer’s rights
15 under such process, and

16 “(B) before an in-person initial interview
17 with the taxpayer relating to the determination
18 of any tax—

19 “(i) inquire whether the taxpayer is
20 represented by an individual described in
21 subsection (c),

22 “(ii) explain that the taxpayer has the
23 right to have the interview take place in a
24 reasonable place and that such place does
25 not have to be the taxpayer’s home,

1 “(iii) explain the reasons for the selec-
 2 tion of the taxpayer’s return for examina-
 3 tion, and

4 “(iv) provide the taxpayer with a writ-
 5 ten explanation of the applicable burdens
 6 of proof on taxpayers and the Internal
 7 Revenue Service.

8 If the taxpayer is represented by an individual de-
 9 scribed in subsection (c), the interview may not pro-
 10 ceed without the presence of such individual unless
 11 the taxpayer consents.”

12 (b) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to interviews and examinations
 14 taking place after the date of the enactment of this Act.

15 **SEC. 205. EXPLANATION OF JOINT AND SEVERAL LIABIL-**
 16 **ITY.**

17 (a) IN GENERAL.—The Secretary of the Treasury or
 18 the Secretary’s delegate shall, as soon as practicable, but
 19 not later than 180 days after the date of the enactment
 20 of this Act, establish procedures to clearly alert taxpayers
 21 of their joint and several liabilities on all tax forms, publi-
 22 cations, and instructions issued during the period joint
 23 and several liability remains a standard of liability. Such
 24 procedures shall include explanations of the possible con-
 25 sequences of joint and several liability.

1 (b) TRANSMISSION TO COMMITTEES OF CON-
 2 GRESS.—Such Secretary shall transmit drafts of the pro-
 3 cedures required under subsection (a) (or proposed revi-
 4 sions to any such procedures) to the Committee on Ways
 5 and Means of the House of Representatives, the Commit-
 6 tee on Finance of the Senate, and the Joint Committee
 7 on Taxation on the same day.

8 **SEC. 206. PROCEDURES RELATING TO EXTENSIONS OF**
 9 **STATUTE OF LIMITATIONS BY AGREEMENT.**

10 (a) IN GENERAL.—Paragraph (4) of section 6501(c)
 11 (relating to the period for limitations on assessment and
 12 collection) is amended—

13 (1) by striking “Where” and inserting the fol-
 14 lowing:

15 “(A) IN GENERAL.—Where”,

16 (2) by moving the text 2 ems to the right, and

17 (3) by adding at the end the following:

18 “(B) NOTICE TO TAXPAYER OF RIGHT TO
 19 REFUSE OR LIMIT EXTENSION.—The Secretary
 20 shall notify the taxpayer of the taxpayer’s right
 21 to refuse to extend the period of limitations, or
 22 to limit such extension to particular issues, on
 23 each occasion when the taxpayer is requested to
 24 provide such consent.”

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to requests to extend the period
3 of limitations made after the date of the enactment of this
4 Act.

5 **SEC. 207. EXPLANATIONS OF APPEALS AND COLLECTION**
6 **PROCESS.**

7 (a) TAXPAYER SPECIFIC EXPLANATION.—The Sec-
8 retary of the Treasury or the Secretary's delegate shall,
9 as soon as practicable but not later than 180 days after
10 the date of the enactment of this Act, include with any
11 1st letter of proposed deficiency which allows the taxpayer
12 an opportunity for administrative review in the Internal
13 Revenue Service Office of Appeals an explanation of the
14 appeals process and the collection process with respect to
15 such proposed deficiency.

16 (b) GENERAL EXPLANATION.—The Secretary of the
17 Treasury or the Secretary's delegate shall, as soon as
18 practicable but not later than 180 days after the date of
19 the enactment of this Act, make available to the general
20 public, a booklet which in simple language provides an ex-
21 planation of the appeals process and the collection process
22 and the rights of taxpayers at each step of such process.

1 **SEC. 208. INDEPENDENT OPERATION OF LOCAL TAXPAYER**

2 **ADVOCATES.**

3 (a) INDEPENDENT OPERATION OF LOCAL OF-
 4 FICES.—Section 7802(d) (relating to Office of Taxpayer
 5 Advocate) is amended by adding at the end the following:

6 “(4) OPERATION OF LOCAL OFFICES.—

7 “(A) INDEPENDENT OPERATION.—Each
 8 local taxpayer advocate shall, at the taxpayer
 9 advocate’s discretion, not disclose to the Inter-
 10 nal Revenue Service contact with, or informa-
 11 tion provided by, a taxpayer.

12 “(B) MAINTENANCE OF INDEPENDENT
 13 COMMUNICATIONS.—Each local office of the
 14 taxpayer advocate shall maintain separate
 15 phone, facsimile, and other electronic commu-
 16 nication access, and a separate post office ad-
 17 dress from the Internal Revenue Service district
 18 office or service center which it serves.”

19 (b) EFFECTIVE DATE.—The amendment made by
 20 this section shall take effect on the date of the enactment
 21 of this Act.

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